NOVEMBER 2015

FINDEX NOTES

#2014-9

The Global Findex Database 2014

The Promise of Mobile Money to Increase Financial inclusion

Recent years have witnessed explosive growth in financial inclusion. Worldwide, 62 percent of adults have an account at a financial institution or through a mobile money provider, up from 51 percent in 2011. But 2 billion poor adults remain excluded from the financial system. These unbanked individuals represent an untapped market, particularly for mobile money operators. Drawing on new data from the 2014 Global Financial Inclusion (Global Findex) database, this note explores how mobile technology can help increase financial inclusion.

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Financial inclusion—access to and use of financial services—is critical in reducing poverty and achieving shared economic growth. When people can participate in the financial system, they are better able to start and expand businesses, invest in their children's education, and absorb financial shocks. Before 2011, little was known about the financial system's global reach, including how many people owned accounts and the extent to which such groups as women and the poor were excluded. The first Global Findex database was a landmark, delivering unprecedented insights into how people in more than 140 economies were saving, borrowing, making payments, and managing risk.

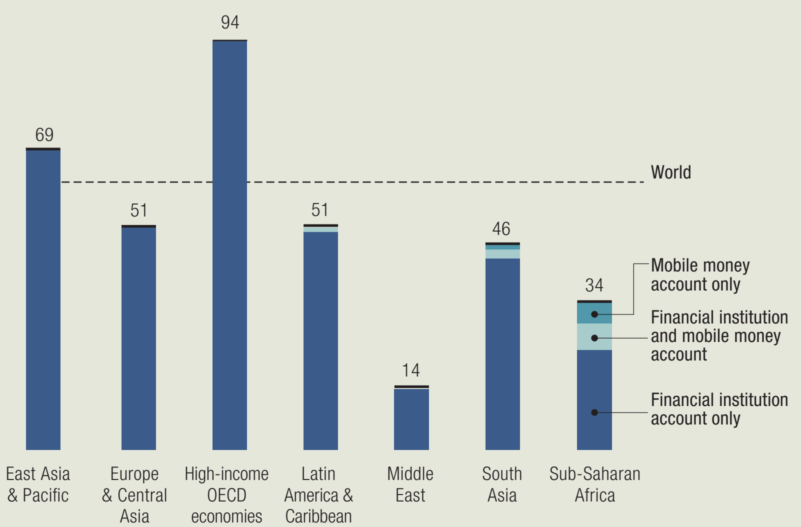
Three years later, the second edition provides an update on the indicators collected in 2011 while adding new data on mobile money and domestic payments. As in the first edition, indicators are constructed with survey data from interviews with nationally representative and randomly selected adults age 15 and older—about 150,000 people were surveyed in 143 economies during the 2014 calendar year.

Sub-Saharan Africa Leads in Mobile Money Accounts

FIGURE 1

Mobile money accounts so far only common in Sub-Saharan Africa

Adults with an account (%), 2014



Source: Global Findex database.

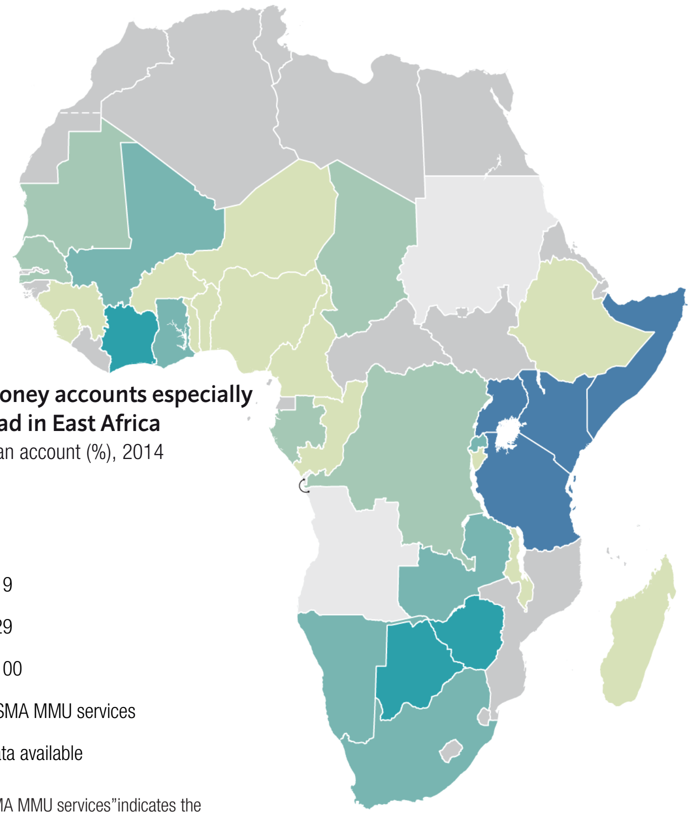
Globally, nearly all adults who reported owning an account said that they have an account at a financial institution, such as a bank, credit union, cooperative, or microfinance institution: 60 percent reported having a financial institution account only, 1 percent having both a financial institution account and a mobile money account, and 1 percent a mobile money account only.

Sub-Saharan Africa is an exception to this global picture. There, almost a third of account holders —or 12 percent of all adults—reported having a mobile money account (figure 1). Within this group, about half reported having both a mobile money account and an account at a financial institution, and half having a mobile money account only.

MAP 1

Mobile money accounts especially widespread in East Africa

Adults with an account (%), 2014



Note: "No GSMA MMU services" indicates the absence of mobile money account services included in the GSMA MMU database.

Source: Global Findex database.

IBRD 40563 | APRIL 2015

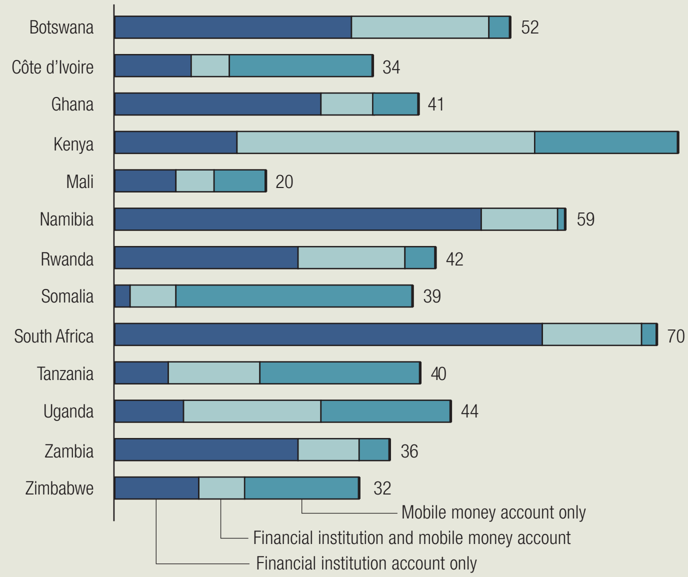
To identify people with a mobile money account, the 2014 Global Findex survey asked respondents about their use of specific services that are available in their country—such as M-PESA, MTN Mobile Money, Airtel Money, or Orange Money—and included in the GSM Association's Mobile Money for the Unbanked (GSMA MMU) database. The definition of a mobile money account is limited to services that can be used without having an account at a financial institution. By contrast, people using a mobile money account linked to their financial institution are considered to have an account at a financial institution.

Mobile money accounts are especially widespread in East Africa, where 20 percent of adults reported having a mobile money account and 10 percent a mobile money account only (map 1). But these figures mask wide variations within the sub-region. Kenya has the world's highest share of adults with a mobile money account, at 58 percent, followed by Somalia, Tanzania, and Uganda, each with about 35 percent. In southern Africa, penetration of mobile money accounts is also relatively high, at 14 percent; but just 2 percent of adults there reported having a mobile money account only.

FIGURE 2

Account penetration in countries with mobile money account penetration of 10 percent or more

Adults with an account (%), 2014



Source: Global Findex database.

In 13 countries around the world, penetration of mobile money accounts is 10 percent or more. All 13 are in Sub-Saharan Africa.[1] Within this group, the share of adults with a mobile money account ranges from 10 percent in Namibia to 58 percent in Kenya (figure 2). And in five of the 13 countries —Côte d'Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe—more adults reported having a mobile money account than an account at a financial institution. Account ownership in Tanzania increased by 23 percentage points to 40 percent in 2014, with mobile money accounts fueling all that growth.

Outside Sub-Saharan Africa ownership of mobile money accounts remains limited. In South Asia the share of adults with a mobile money account is 3 percent, in Latin America and the Caribbean 2 percent, and in all other regions less than 1 percent. There has been rapid growth in offerings of mobile money accounts around the world in the past three years: The GSMA MMU database reports 259 deployments in 89 countries at the beginning of 2015, up from only 100 deployments three years earlier. But most of these offerings remain relatively new, and mobile money accounts may have yet to take off.

The experience of mobile money accounts in Sub-Saharan Africa shows that by providing convenient and affordable access to financial services, mobile money accounts offer promise for extending financial services to previously unbanked adults.

Can Mobile Money Accounts Narrow the Gaps in Account Ownership?

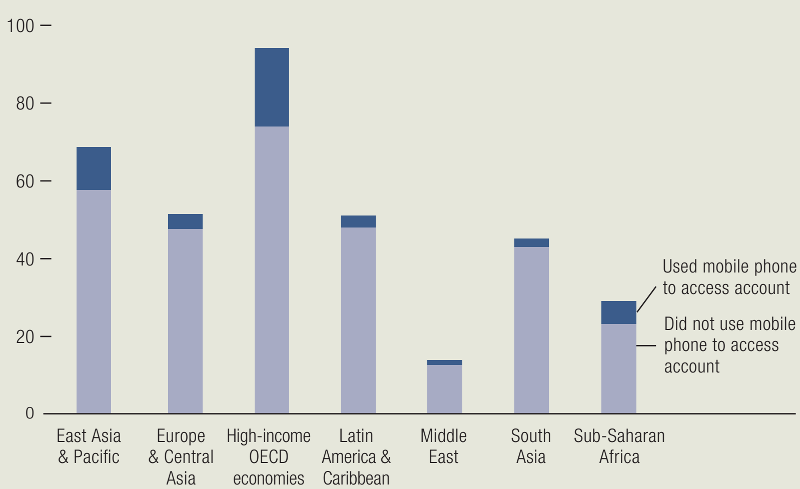
By providing more convenient and affordable financial services beyond the limits of bank branches, mobile money accounts offer the potential to reach unbanked adults traditionally excluded from the formal financial system—such as women, poor people, young people, and those living in rural areas. But so far the evidence from Sub-Saharan Africa is mixed. Côte d'Ivoire and Kenya each have large gaps in the ownership of financial institution accounts between men and women, between adults in the poorest 40 percent and the richest 60 percent of households, and between young adults (ages 15-24) and older adults (age 25 and above). But there are no significant gaps between these groups in the ownership of a mobile money account only.[2] Indeed, in Kenya adults in the poorest 40 percent of households are more likely to have only a mobile money account than adults in the richest 60 percent of households. Mobile money accounts are thus helping to narrow the gaps in account ownership in these two countries. But it is a different story in Tanzania and Uganda. In Uganda, there are large gaps in the ownership of financial institution accounts and mobile money accounts only, with ownership of each type of account less likely for women than for men, less likely for adults in the poorest 40 percent of households than for those in the richest 60 percent, and less likely for young adults than for older adults. In Tanzania, a significant gap exists between the two household income groups for both financial institution and mobile money only accounts, but a significant gender gap exists only for mobile money only accounts.

The potential of mobile money accounts to close gaps in account ownership in the future also depends on whether unbanked adults traditionally excluded from the formal financial system have a mobile phone to access such an account. Data on mobile phone ownership among the unbanked in Sub-Saharan Africa, for example, shows that mobile phone ownership is more common among men than it is among women. While 49 percent of unbanked men in the region own a mobile phone, 41 percent of unbanked women do so.

FIGURE 3

Use of mobile phones to access financial institution accounts

Adults with a financial institution account by use of mobile phone access in the past year (as % of all adults), 2014



Source: Global Findex database.

Beyond Mobile Money Accounts: Accessing a Financial Institution Account Through a Mobile Phone

Mobile money accounts are just one way in which mobile technology is changing how people access financial services. People are also using mobile phones in conjunction with an account at a financial institution. Globally in 2014, 16 percent of adults with a financial institution account—or 9 percent of all adults—reported having used their mobile phone in the past year to access that account and make a transaction. High-income OECD and Sub-Saharan African countries had the largest share of adults with a financial institution account who reported doing so, at just over 20 percent on average, followed by East Asia and the Pacific with 17 percent. In all other regions the average share was less than 10 percent (figure 3).

Not surprisingly, using a mobile phone to access an account at a financial institution and make a transaction is particularly common in the 13 Sub-Saharan African countries with the highest penetration of mobile money accounts: In each of these countries, close to 40 percent of adults with an account at a financial institution reported doing so. In some high-income OECD economies, including Australia, Canada, Denmark, the Republic of Korea, Sweden, and the United States, about a third of adults with an account at a financial institution reported accessing it through a mobile phone. But a relatively large share of account holders also reported doing so in the Russian Federation (24 percent) and China (19 percent).

How Many Unbanked Have a Mobile Phone?

The promise of mobile money accounts to increase financial inclusion hinges, of course, on unbanked adults having a mobile phone. Mobile money accounts don't require expensive smart phones—a simple phone is sufficient for accessing mobile money accounts—but they still require some type of mobile phone. So how many of the unbanked already have a mobile phone? In Sub-Saharan Africa, 155 million among the region's 350 million unbanked adults said they own a mobile phone, according to data from the Gallup World Poll. Most of these people are concentrated in West Africa, where mobile money has yet to take off the same way it has in East Africa: Of the 120 million unbanked adults in West Africa, more than half—70 million—said they have a mobile phone. But even in East Africa some 40 million unbanked adults said they have a mobile phone.

Outside of Sub-Saharan Africa, the Gallup World Poll asked only about household ownership of a mobile phone, instead of individual ownership. These numbers obviously are higher than individual mobile phone ownership. In Sub-Saharan Africa, where data on both measures is available, 155 million unbanked adults said they own a mobile phone, while 200 million unbanked adults said their household has a mobile phone. Globally, 1.6 billion out of the 2 billion unbanked adults reported they already have a mobile phone in their household. This suggests there is huge untapped market to deliver financial services to the unbanked via existing mobile phones in households.

Conclusion

Mobile money accounts drove the increase in account ownership in Sub-Saharan Africa between 2011 and 2014. Outside of Sub-Saharan Africa, the adoption of stand-alone mobile money accounts has been limited so far. But Sub-Saharan Africa shows the potential mobile money can have in bringing the unbanked into the formal financial system. By presenting detailed data on mobile money accounts and mobile payments, the Global Findex database reveals ways that governments and the private sector can help harness the promise of mobile technology to further financial inclusion.

1. This group of 13 excludes 2 other countries where 10 percent or more adults reported having a mobile money account, Cambodia (12 percent) and the United Arab Emirates (11 percent). Cambodia is excluded because of a concern that users of a popular over-the-counter transaction service might have incorrectly responded that they used an account when in fact they only made over-the-counter transactions. The United Arab Emirates is excluded because the sample in that country includes only Emiratis, Arab expatriates, and non-Arabs who were able to participate in the survey in Arabic or English.

2. Because the focus is on adults who have a mobile money account but are otherwise unbanked, adults who have both types of accounts are counted among those who have a financial institution account.

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The reference citation for the 2014 Global Findex data is as follows:

Demirguc-Kunt, Asli, Leora Klapper, Dorothe Singer, and Peter Van Oudheusden. 2015. "The Global Findex Database 2014: Measuring Financial Inclusion around the World." Policy Research Working Paper 7255, World Bank, Washington, DC.

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